12 Steps to Happy MatriMONEY

For many of us, discussing money issues—our salaries, our bills—can cause great discomfort. In some situations, it is even considered taboo. But when you decide to tie the knot, you are binding more than your hearts. For better or worse, you are entering into a financial institution, too.

Taking charge of your financial future will require honest communication, dedication and teamwork. Below you will find twelve suggestions to help you establish a healthy relationship, as a family, with your finances. The sooner you start the process, the sooner you will be able to enjoy a lifetime of happy matrimoney!

1 Bare it all. Whether you are engaged to be married or have been together for twenty years, it is crucial that you share your money matters with your partner. You both need to put all financial records on the table: your savings, salaries, investments, real estate and other property, credit history and all debts. It is important to be honest and allow for full disclosure, free from judgment. Approach the conversation with mutual respect and realize that you are in this together. *Use the guide to the right to help organize your financial information.*

2 Devise a budget. Now that you have a general understanding of the movement of money into and out of the household, make a money road map. Sit down with your partner and write down all your income and expenses in a month. Review your recent pay stubs, checkbook registers, bank statements, credit card bills, etc. to help reconstruct the details. If this is the first time you are making a budget, you may find it useful to review several months of records. Your income may include a salary, wages and tips, social security or pension benefits, child support or alimony, and interest and dividends on your savings and investments. Your expenses will likely fall into two categories: fixed and flexible (also called discretionary). Fixed expenses are recurring monthly costs, like rent or mortgage payments, credit card payments, insurance premiums, utility payments, child care, and so on. Flexible expenses are things like food, gifts, entertainment, clothing, etc. Once you've captured a snapshot of your monthly financial transactions, add up all your expenses and subtract them from the sum of all your income. If the number is positive, you are earning more than you are spending each month, and you are on the path to being able to squirrel away savings for your financial goals. If the number is zero or below, then you need to take a hard look at where you can make some adjustments in your spending or your earnings each month. Some individuals may find they can bridge the budget gap by working a few extra hours a week, taking on an additional part-time job, performing freelance work or even selling some of their belongings. However, it may be less painful or more realistic to try to trim the fat from your spending habits first. Flexible expenses tend to fluctuate from month to month and allow you the most room to make adjustments in your spending. If you find that your discretionary budget is so tight that it squeaks, then you should try to find ways to cut back on your fixed expenses: driving a less expensive vehicle, moving into a smaller home, reducing your usage of electricity, or finding a less expensive phone plan are some examples to consider.

Use the attached worksheet to develop a working budget.

Net Worth Calculation

Both individuals should determine their net worth by adding up all assets and then subtracting all liabilities. This will provide a starting point for identifying areas of good financial health or those in need of some extra attention.

ASSETS

Cash
- Checking/Savings
- Credit Union
- Money Market
- CDs

Investment Account(s)

Retirement Account(s)
- 401(k)
- 403(b)
- IRA
- Roth IRA
- Other

Residence(s)

Personal Property
(Cars, Boats, Jewelry, Furnishings)

Investment Real Estate

Business

Other

TOTAL ASSETS: ______________

LIABILITIES

Deductible Debt
- Mortgage
- Home Equity
- Student Loan

Non-deductible Debt
- Credit Card (total)
- Personal Loan
- Car Loan
- 401(k) Loan
- Other

TOTAL LIABILITIES: ____________

(Total Assets)
– (Total Liabilities)
Net Worth

3 Decide whether or not to merge all your financial accounts. Here are things to keep in mind:

- Consolidated accounts make for easier record-keeping.
- Having good credit history with joint accounts can improve a weaker individual record.
- Both of you are responsible for all debt incurred in any joint credit account. Regardless of who is incurring debt, missed payments on a joint account will negatively affect both of your records.
- If you miss a payment on any individual account, it can impact your ability to open joint accounts because both credit histories will be considered.
- You might want to keep at least one credit account in your own name as a safeguard in the event of an emergency. This is particularly relevant for women. As unpleasant as it may be for you to consider, statistics show that close to 75% of women will be responsible for their own finances at some point in their lives. It is difficult to obtain credit without maintaining your individual credit history.

Understand that if one of you has a less than stellar credit history, it will negatively affect the other as soon as you start applying for credit together and opening joint accounts. Lenders typically use the lower score when a couple applies for credit to determine the rates and terms. There may be times when you decide it makes sense to apply for certain loans under solely the individual with better credit until the other individual improves his or her record. However, by working together as a couple to practice responsible credit behavior, you can eventually overcome past financial mistakes and enjoy a lifetime of joint financial bliss.

4 Identify your financial personalities. There are many environmental factors that affect our attitudes toward money, many of them rooted in our childhoods. It is important to realize that you and your partner may have differing values when it comes to money—and that's okay, as long as you come to an agreement regarding how you will handle your finances together. One of the most common conflicts couples face is when one person is a spender and the other a saver. This can be a frustrating clash, particularly for a couple who is severely burdened by debt. The key to working through those tough times is learning to respect your differences and plan around them. Look for patterns and recurring issues that come up in your relationship surrounding money and discuss ways to avoid falling into those patterns in the future. Also, realize that part of successfully working together is accepting that you sometimes have to compromise. For example, if you cannot always come to an agreement about how or when to spend your discretionary money, consider starting a "perks" fund for yourselves. If you have some spending money left each month, decide on a comfortable amount to split evenly. Each of you can do whatever you want with your perks money, and that may help ease those minor money conflicts. If you find that you simply cannot resolve your disagreements about money, consider setting up an appointment with a credit or financial counselor. The counselor should be able to help you work through the budgeting process, and by focusing on facts and figures instead of emotions, you may find yourselves able to communicate your financial goals more effectively.

5 Appoint a day-to-day money manager. One of you needs to be responsible for the daily or monthly tasks of balancing the checkbook, paying bills, monitoring investments, etc. Some couples find that it works best to alternate the money manager role periodically, while other arrangements may find one individual always handling the household bookkeeping. It doesn't matter how you prefer to divide up the tasks, as long as you stay on top of things; even one late bill payment or a few bounced checks can severely damage your credit rating—not to mention that all the extra fees you'll have to pay can really eat into your budget. Make a habit of organizing your bills and miscellaneous financial records regularly throughout the months; find a system that works for your household. Perhaps the individual who isn't in charge of balancing the checkbook can be in charge of filing away paid invoices, or marking invoice due dates on the calendar. Just remember that the due date represents the day the creditors must have your payments in their hands, not the day you should drop your payments in the mail! Regardless of who is in charge of the primary money management tasks, it is a good idea for you to get together frequently to review your budget, investment portfolio, tax situation and to discuss any major purchases or financial decisions.

6 Outline your financial goals, and put them in writing. Saving money can be a hard habit to start, but it is so much easier when you know what you're saving for. Putting them on paper will

What's Your Financial Personality?

Determine which of the following scenarios most similarly reflects your relationship with money:

1. You have no money in savings, but signing up for your company's 401(k) plan is on your to-do list. You frequently owe late fees for not paying your bills on time, but you do eventually get around to paying them. When you hear the word, "investments," you suddenly realize the speaker is talking to you in a foreign language. Someday you hope to understand what he or she is talking about, but right now, you're just too busy.

2. You have no savings or investments. You have maxed out all your sources of credit, but only pay the minimum amount due on each. You start each day with a coffee drink and pastry from your favorite bakery, you squeeze in your work around your demanding online shopping needs and you eat lunch at your favorite restaurant at least two or three times a week. Your favorite slogan is "Buy now, pay later!"

3. You save money each month, guided by the budget you created for yourself in hopes of reaching certain financial goals. You understand the difference between necessities and luxuries, and usually buy only what you need. You balance your checkbook often, always pay your bills on time and regularly review your estate plans. Additionally, you talk openly with your significant other about your financial plans and any major financial decisions you make.

Which did you choose?

1. **Money Mayhem:** Good intentions aside, your money habits are wreaking havoc on your financial health. You must resolve to take control of the situation—and then follow through. If it's a matter of being disorganized, take the weekend to collect and sort all your bills and financial records, in addition to balancing your checkbook. Create a system of organization for your financial documents that helps you keep track of what has been handled and what requires further attention, but keep it simple so you will not be tempted to let everything pile up again. Pull every past-due bill to the top of the stack and pay it now! For every bill that is not due immediately, make a note on the calendar by which day your payment must be in the mail to arrive to the creditor on time. Then be sure to meet those deadlines going forward. If you are feeling overwhelmed by this process, consider asking a close friend or family member to help you. Once you gain control of these basic money management skills, you will feel much less overwhelmed to tackle the more complex issues of how to save for your retirement or set other financial goals. Remember, getting your finances in order will take some time and devotion, but there are plenty of places to turn for more information or advice. Hang in there!

2. **Maxed Out:** Your spending habits have you on the path to real disaster. Not only are you potentially throwing away thousands of dollars each year as your credit card debts rack up interest, but your search for immediate gratification may result in having to delay your long-term financial dreams, like buying a house or retiring at an early age. Not to mention, you are in a risky position should a financial emergency arise. You need to give some serious thought to what your financial goals are, and put them in writing. Develop a budget and savings plan, establish an emergency fund, and give your credit cards a vacation. It is normal to want to enjoy certain luxuries, like the occasional nice dinner out. But you must learn the difference between needs and wants—and planning for your future is a definite NEED! Next time you feel tempted to fall into your excessive spending patterns, imagine yourself living comfortably and debt-free as a happy retiree.

3. **Financially Fit:** Good job! You understand the importance of communicating, planning and saving when it comes to your money. You have established healthy personal finance habits, and seem well on your way to realizing your financial dreams. Continue enhancing your knowledge of money matters by staying up-to-date with the money and business sections of your newspaper or online news source. More importantly, share your financial savvy with your loved ones. You may inspire others to realize that it is possible to control money, rather than being controlled by it.

help make the goals actually seem tangible and keep you motivated to reach them. Remember to think of short-term and long-term goals, and assign a realistic time frame for achievement. If you have already constructed an outline of your goals, review it and assess the progress you have made. You may find that you are much closer to reaching your financial dreams than you think. Or, you may decide there are new priorities to incorporate into the picture. Either way, putting your priorities in writing can help you and your partner determine the lifestyle you want to share together, now and in the future. Also, until you get in the habit of making saving a priority, consider having a certain amount of money automatically taken out of your paycheck or checking account each month and deposited into a savings or investment account. It is really true that if you don't see it, you won't miss it—or, you won't spend it, at least. And you'll probably have a much easier time accumulating savings if you automatically pay yourself first, rather than waiting to see what, if anything, is left over at the end of the month.

7 Review and update your insurance. Every couple should review insurance needs, including life, disability, medical and property insurance, at regular intervals. This should include not only the amount of coverage, but also the beneficiary designations. No one likes to plan for the loss of life, but it is imperative for a couple to consider the need for life insurance. One of the most common reasons for buying life insurance is to replace the loss of income that would occur in the event of your death. It is also commonly used to pay any remaining debts, like mortgages, car loans and credit card debts. Life insurance can also be used to pay for final expenses and estate taxes or to create an estate for your heirs.

Health insurance is also very important. Couples who each have the option to use health insurance provided by their employers need to compare benefits and decide whether it make sense to maintain individual coverage or switch to a family plan with better benefits. You need to look beyond the monthly premium costs, however. Consider additional expenses, like deductibles and co-payments. Also review the levels of service and coverage offered, including any limitations on your choice of doctors and hospitals or specialized services. You should also compare the cost of adding a dependent child if applicable. Sometimes family plans that cover two adults and one child may cost substantially more than a single plan combined with a parent-plus-one plan. Additionally, it is important to make changes to your insurance plan promptly after a life-altering event, like the birth of a baby, marriage or divorce, as there is a small window of time in which employees are allowed to make changes to their health insurance plans outside of open enrollment periods—usually 30 to 60 days.

Finally, talk with your insurance company or agent about buying additional coverage for a new home or valuables. If you own separate cars, you should also look into combining your auto insurance policies. Many auto insurance providers offer discounted rates if you insure multiple vehicles with them.

8 Plan your estate. If you and your partner do not have wills, have them drawn up. If you do have a will, review it to determine whether it should be updated to reflect any changes in your life. Also make it a habit to routinely check the beneficiary designations on all your policies and benefits—don't forget your retirement and pension plans. Make sure both of you know where important documents such as insurance plans, wills, tax information, account numbers, investment information, etc. are kept.

IMPORTANT PAPERS:
Know where they are and keep them up-to-date.
Social Security cards
Birth certificates
Baptismal records
Marriage certificates
Prenuptial agreements
Divorce papers
Child custody papers
Adoption papers
Death certificates
Naturalization papers
Residency papers
Military papers
Wills
Deed (inc. cemetery plot)
Records for taxes, old returns
Health insurance
Home/Property insurance
Auto insurance
Life insurance
Disability insurance
Mortgage
Contracts
Medical Records
Auto registration and title
Bank book(s)
Check book(s)
Other investment records
Stocks and bonds
Credit card statements

9 Reduce your debt. No one is suggesting that you should not have nice things or want to splurge every now and then. However, if you find yourself over your head in debt, you must take action—and the sooner, the better. Debt, particularly credit card debt, has a way of spiraling out of control before we even realize we have gotten ourselves in too deep. Whether you have both brought debt into your union or have fired up the credit cards together, you must figure out a plan for tackling your debt. Ideally, you would not charge more than you could pay off in total each month. If you are not in that position, it is important that you try to pay more than the minimum amount due. You would be surprised to know that it would take you 14.3 years to pay off a card with a balance of $1,000 and an interest rate of 15% if you only paid the minimum amount due each month—and that assumes discontinued use of the credit card.† That is due to something called *compound interest* and the way the credit card companies apply payments toward a ratio of interest and principal. But when you make supplemental payments to the minimum amount due, even if it's only $20 extra, that portion is applied directly to the principal and can substantially reduce the length of time it will take you to get your balance to zero. If you find that you can pay only the minimum amount due, then try to cut a few items out of your monthly budget and apply those savings toward paying down your debt. Getting out of debt is hard work, and takes motivation and discipline. If you find yourself struggling to do it on your own, consider seeking the assistance of a reputable nonprofit agency, like Consumer Credit Counseling Service. They can help you develop and implement your budget, and work with creditors to create a realistic repayment plan. Beware, however, that there has been growth in the credit services industry, which includes some companies who are only out to take advantage of vulnerable consumers. It's best to stick with the credit counseling services that are accredited by the Association of Independent Consumer Credit Counseling Agencies or the National Foundation for Credit Counseling.

10 Invest in your future. It is never too soon or too late to save for retirement. Don't put it off, and also don't assume it's a lost cause if you haven't started saving already. If both individuals participate in separate employer-sponsored retirement plans, review the benefits of each plan. If you can afford it, you should contribute the maximum level in each plan. If that is not possible, you may want to focus on maximizing contributions to the plan with the best match or investment options. If this isn't a viable avenue for you, and/or you are unsure of what individual strategy you should take, consider meeting with a financial planning professional or an investment specialist at your bank. These individuals can help you determine your financial needs and what savings and investment strategies are comfortable for you. *See the compound interest chart on the following page.*

11 Establish an emergency fund. This is the absolute best way to prepare for future financial setbacks. It can also be one of the hardest goals for couples to actually achieve because, let's face it, we never know when we will face an emergency situation and it can be tempting to divert that savings elsewhere in the budget. You should start by figuring out the amount of money you need for housing, food, insurance, medical care and other necessities for three to six months. Then set aside small amounts of your money each month until you have an emergency fund equal to at least that amount. Resist the urge to borrow from this fund unless you are facing a real financial crisis—going on vacation or buying new clothes does not count.

† *The ABCs of Credit Card Finance*, Center for Student Credit Card Education, Inc.

12 IMPROVE YOUR FINANCIAL LITERACY. Read the money and business sections of your newspaper, borrow friends' personal finance books or magazines or browse the selection at the library or bookstore. You may even be able to take a personal finance course at your local community college. Additionally, there is a wealth of financial education and advice on the Internet. Here are a few suggested resources:

Comprehensive Personal Finance Education

Kentucky State Treasury: www.kytreasury.com
Jump$tart Coalition for Personal Financial Literacy: www.jumpstart.org
Kentucky Cooperative Extension Services: www.ces.ca.uky.edu/ces
360 Degrees of Financial Literacy, *sponsored by the American Institute of Certified Public Accountants*: www.360financialliteracy.org
Tomorrow's Money: www.kentucky.tomorrowsmoney.org

Credit Reports

You may obtain copies of your credit reports from www.myfico.com or from any of the three major credit bureaus:
Equifax: 800-685-1111; www.equifax.com
Experían: 888-397-3742; www.experian.com
TransUnion: 800-916-8800; www.transunion.com
Be sure to check your report for total accuracy. Sometimes there are errors on your credit report—and it's up to you to get them fixed. If your report contains any information that you believe is incorrect, contact the credit bureau and request that they investigate the error.

Credit and Debt Counseling

Association of Independent Consumer Credit Counseling Agencies: (800) 450-1794; www.aiccca.org
National Foundation for Credit Counseling: (800) 388-2227; www.nfcc.org
Consumer Credit Counseling Service: (800) 355-2227; www.cccservices.com

College Savings

Kentucky's Affordable Prepaid Tuition (KAPT): (888) 919-KAPT; www.getkapt.com
Kentucky Education Savings Plan Trust: (877) KY-TRUST; www.kysaves.com
Independent 529 plans: (888) 718-7878; www.independent529plan.org

Financial Planning

Retirement, Higher Education, Investments, Insurance

The National Association of Personal Financial Advisors: (800) 366-2732; www.napfa.org
The Financial Planning Association: (800) 322-4237; www.fpanet.org
The National Association of Insurance and Financial Advisors: www.naifa.org
Insurance.com: www.insurance.com

Homeownership

U.S. Department of Housing and Urban Development (HUD): www.hud.gov
Fannie Mae: www.fanniemae.com
Freddie Mac: www.freddiemac.com

Child Care Resources

Child Care Aware: (800) 424-2246; www.childcareaware.org
The Nation's Network of Childcare Resource and Referral: (202) 393-5501; www.naccrra.org

The power of compounding interest: It pays (a lot!) to start saving early. Even if you can only afford to set aside modest amounts of money in the savings vehicle of your choice, see below how time can help grow your investment. And, no matter how little you can contribute right now, you can always beef up your investment contributions as you get into better financial shape.

How much you'll have in 40 years if your investments earn…

Investment Return	Monthly Investment	Amount Invested	Amount Earned	Value in 40 years
6%	$1	$480	$1,520	$2,000
	$10	$4,800	$15,200	$20,000
	$50	$24,000	$76,000	$100,000
	$100	$48,000	$152,000	$200,000
	$200	$96,000	$304,000	$400,000
10%	$1	$480	$5,890	$6,370
	$10	$4,800	$58,900	$63,700
	$50	$24,000	$294,500	$318,500
	$100	$48,000	$589,000	$637,000
	$200	$96,000	$1,178,000	$1,274,000
11%	$1	$480	$8,190	$8,670
	$10	$4,800	$81,900	$86,700
	$50	$24,000	$409,500	$433,500
	$100	$48,000	$819,000	$867,000
	$200	$96,000	$1,638,000	$1,734,000
15%	$1	$480	$30,920	$31,400
	$10	$4,800	$309,200	$314,000
	$50	$24,000	$1,546,000	$1,570,000
	$100	$48,000	$3,092,000	$3,140,000
	$200	$96,000	$6,184,000	$6,280,000

Source: http://www.bankrate.com/bos/news/dollardiva/19991102d.asp

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Jonathan Miller
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Materials developed by Angela M. Burton, *Policy Director*
Layout by Kenneth Mansfield, *Communications Director*

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Personal Savings Plan

		FIXED/ VARIABLE	WEEKLY	MONTHLY	QUARTERLY	YEARLY	PROJECTED COST	ACTUAL COST	DIFFERENCE
HOUSING	Mortgage or rent								
	Phone (home)								
	Phone (cellular/pager)								
	Internet service								
	Electricity								
	Heat (gas or oil)								
	Water and sewer								
	Cable								
	Waste removal								
	Maintenance or repairs								
	Supplies								
	Furniture/appliances								
	Floor/window covering								
	Other								
INSURANCE	Home or renters								
	Life								
	Disability								
	Health								
	Automobile								
	Other								
TRANSPORTATION	Car payments								
	Gasoline								
	Maintenance/repairs/cleaning								
	License/registration								
	Bus/taxi fare								
	Tolls/parking								
	Other								
CLOTHING	Clothing								
	Laundry/dry cleaning								
	Tailor								
	Other								
FOOD	Groceries (food at home)								
	Work lunches bought								
	School lunches bought								
	Snacks bought								
	Dining out								
	Other								
ENTERTAINMENT	Movies								
	Video/DVD rentals								
	Vacations/trips								
	Music – CDs, concerts, etc.								
	Sports – events, equipment, etc.								
	Live theatre								
	Membership/dues								
	Other								
SAVINGS/ INVESTMENTS	Credit union/bank								
	Company savings plan								
	IRA/Keogh/SEP and/or investments								
	Money market fund								
	Emergency fund								
	Other								

(continued other side)

		FIXED/ VARIABLE	WEEKLY	MONTHLY	QUARTERLY	YEARLY	PROJECTED COST	ACTUAL COST	DIFFERENCE
HEALTH CARE	Medications								
	Doctor								
	Dentist								
	Health club/gym								
	Glasses/hearing aids								
	Deductible/co-payments								
	Caregiver fees								
	Other								
PERSONAL CARE	Barber/beauty shop								
	Cosmetics/toiletries								
	Tobacco								
	Alcohol								
	Other								
FAMILY	Personal allowance								
	Child care								
	Allowance (children)								
	Child support								
	Other								
GIFTS	Religious								
	Charitable								
	Other								
PETS	Food								
	Medical								
	Grooming								
	Toys								
	License								
	Other								
EDUCATION	Books/magazines/newspapers								
	Hobby expenses								
	Child education expenses								
	Adult education expenses								
	School supplies								
	Other								
PROFESS. EXPENSES	Membership/dues								
	Publications/books								
	Travel								
	Other								
TAXES	Social Security								
	Income, federal								
	Income, state								
	Income, local								
	Property								
	Other								
LOANS	Credit union/bank								
	Personal								
	Student								
	Credit Card								
	Credit Card								
	Credit Card								
	Department store								
	Other								
LEGAL	Attorney								
	Alimony								
	Payments on lien or judgment								
	Other								
MISC.	Gifts								
	Flowers								
	Monthly checking account fees, etc.								
	Postage								
	Other								